

So MANY Credit Card Choices, So Little Time: How to Choose the Best Deal For YOU

Visa, MasterCard, Discover, American Express. WHAT'S THE DIFFERENCE? Citibank, Chase, MBNA, First USA, AT&T. Are they all the same? Besides the interest rate, what should you look for? With so many confusing economic terms and microscopic fine print, how do you choose--WISELY?!! Do you really think that Citicorp is going to tell you? Well, HELLO!

This module is divided into two sections. **Part One** is for students without any debt on their credit cards. If you plan to use your credit card only for convenience or emergencies, read this section and examine the list of credit cards in Table 1. The key issues to be explained are the annual fee, grace period, rebates, and other membership benefits. If you currently have or expect to "carry" a debt on your credit card(s), you may wish to skip Part One and go directly to **Part Two**. This section examines the annual fee, different types of interest rates, and membership benefits as summarized in Tables 2-4. It also explains the most cost effective strategy for minimizing your credit card expenses. Depending upon your personal needs and economic situation, we will show you how to select credit cards that have the best combination of prices and services for you. Also, the worst. So, come on. Let's go find out the companies that rank as The Good, The Bad, & The Ugly.

OVERVIEW: Plastic Money in the Credit Card Nation

In the *Credit Card Nation*, people are divided into two groups: (1) those who pay off their credit card charges at the end of the month or "**Convenience Users**" and (2) those who pay high interest rates to finance their unpaid charges or "**Revolvers**." From the credit card companies' perspective, that is the banks such as Chase Manhattan or financial institutions like MBNA that offer you a credit card (Visa, MasterCard, Discover, American Express),¹ this difference is crucial in determining how they make their profits and thus how they market their services.

Approximately 40% of all Americans use their credit cards for convenience. They essentially receive a free loan and free member services. The only money that is made by the credit card industry from these customers is the approximately 1 1/2 to 2 1/2 percent transaction fee that is paid by merchants. More if you use the American Express charge card which is why merchants would prefer that you use cards like Visa and Discover. When you add the costs of customer service, account management, and processing purchases, credit card companies may actually lose money on some Convenience Users! That is why they call these customers "DEAD BEATS."² And, for

the majority with high credit card balances, it means that Revolvers are subsidizing Convenience Users by paying double-digit finance charges--enough to pay for the credit card services of both groups!³

PART ONE. Dead Beat Delight: Cash Back on free Credit!

The first issue in selecting a credit card is whether your spending habits classify you as a **CONVENIENCE USER** or a **REVOLVER**. If you pay off all of your purchases each month, then finance charges, late fees, and over-limit penalties don't really matter. Lucky You! The MOST important issues to you are the Annual Membership Fee, Length of Grace Period, Rebate Programs, and Card Member Services. Convenience Users should select a card with a low or free annual membership, long Grace Period (25-30 days), and with Rebate (1% cash back or free gifts)⁴ and/or various Membership "Enhancements" such as free auto rental insurance which are summarized here.⁵ When you find a credit card that offers all of these features--CONGRATULATIONS--you are enjoying the

Dead Beat Delight = NO ANNUAL FEE +
Long Grace Periods +
Membership Benefits +
Rebates

So, for **CONVENIENCE USERS**, we recommend that you examine the credit card companies listed in Table 1.⁶ Note, these membership benefits are based on introductory "starter" or "Basic" credit card programs and therefore do not offer many benefits to students. Over time, however, it is possible to upgrade these accounts to GOLD or PLATINUM status, especially after one year of regular payments. Of course, the terms and conditions of credit card accounts are frequently changed by the corporate barons of the *Credit Card Nation*. So, you will need to consult this guide again if you plan to shop for a more cost effective credit card at a later time.

The key to selecting the BEST card for you--as a Convenience User--is the combination of low-cost membership, extended grace period, desired membership benefits, and rebate programs. First, the annual membership fee can always be waived the first year. If you do not pay at least \$25-\$30 in finance charges, however, the bank will most likely require a membership fee when the account is renewed. If you are in a rebate program that accumulates purchase "points" for free gifts or discounts, it may be better for you to negotiate a low annual fee and remain in the program until you claim your gift. Otherwise, cancel your account and replace it with another no-fee card. Second, check out the "Grace Period." This is the length of time that you are given to pay your bill without a finance charge. In our lists, the Grace Period ranges from a low of 10 days (Bancorpsouth) to a high of 33 days (People's Bank). That's a difference of over three

weeks in using OTHER PEOPLES' MONEY for FREE! Always make sure to send in your payment early so you will not pay a finance charge or late fee!

Third, what kind of rebate programs are YOU interested in? Free gifts (gasoline, merchandise, airline tickets) or rebate coupons from your favorite retail store (fabric, groceries, CDs). What about "saving" for a down payment on a car. Some suggestions include Citibank "Driver's Ed" Visa, Chase Shell MasterCard, and People's TJX Visa.⁷ If you are not thrilled with retail rebates, what about a "cash back" program which allows you to cancel your account AFTER receiving a check or cash credit at the end of the year. Our recommendations include Advanta Visa, Discover, and GE Capital MasterCard. This way you do not have to pay an annual membership fee and can shop for better deal. Note, most of these rebate programs feature a maximum of 1% back. It is ALWAYS better to take \$50 in cash than a \$50 gift. But, be careful. Not all "cash back" programs really mean what they say.⁸

As for "frequent flier" credit card programs, unless you charge at least \$700-\$800 per month and fly a couple of times per year, it is more cost effective to enroll in a cash back program. For instance, the American Airlines-Citibank "co-branded" Visa offers free airline tickets. However, the annual membership fee (\$40-\$60) adds up by the time you qualify for a free ticket--over \$200 during your college career. Your "free" ticket could be costly, depending upon how much you charge and how often you fly, especially when compared to other "cash back" programs and comparable discount air fares. Remember, if you plan to buy a new car after graduation, you can get a rebate for 2% of all your charges for the down payment!⁹

By the way, you ask, what about the American Express charge card? Isn't it the best deal for Convenience Users? Well, yes and no. **Yes**, if you do not have enough financial discipline to limit your charges to available income. All purchases on your AMEX card must be paid at the end of the month. No exceptions! Remember, even President Clinton's American Express card was rejected last spring! On the other hand, unless you really believe that the American Express charge card offers you a degree of respect or social status--like Jerry Seinfeld (a paid celebrity endorser!)--it's a bad deal. That is, if you can pay off your monthly purchases as required by the American Express charge card, then you could save the annual fee by using Discover, Visa, or MasterCard instead.

Afterall, what DO YOU REALLY GET for the \$55 basic membership fee (plus \$25 per year for the Membership Awards Program)? Discount coupons on expensive items that you don't want or can't afford? Ten minutes of free phone calls each month! A discounted plane ticket with so many restrictions that you may not use it? Of course, if you travel frequently and have the resources to pay for ALL of your charges at the end month, then a low credit limit on your Visa may be a major inconvenience. In this case, an AMEX card is worth the membership fee and may become as important as a [tourist] visa during your travels. Even so, remember that most merchants would prefer that you

"Leave Home Without It" due to the higher cost of accepting the American Express charge card.¹⁰

In conclusion, GREAT NEWS for Convenience Users--there is a "free lunch." With our guidance, you can find a no Annual Fee credit card, with a long Grace period, that allows you to avoid finance charges. Not only can you get free credit, but we show how to receive free gifts and discount coupons simply for borrowing the banks' money for free! In the corporate world, such shrewd behavior is considered "good business sense." But, when consumers practice what big businesses preach, they are viewed as "stealing" from corporate profits. This is why prudent shoppers are negatively portrayed by banks as "dead beats." Ben Franklin must be rolling over in his grave! Remember "A penny saved is a penny earned"? Today, it's called the "Dead Beat Delight." Of course, if circumstances change and you find yourself in debt, you may need to replace your "convenience" card with a more cost effective deal. READ ON!

PART TWO. The GOOD: Let's Make a Deal [for Debtors]

Let's face it. If you can't pay off your credit card bills at the end of the month, you're in debt. The credit card companies can call you a more customer "friendly" name like "Revolver" but, if you're like most Americans (about 60%), there's no escaping the fact that you can't pay off all of your credit card debts at the end of every month. And, don't even mention January with its post-holiday shopping bills. Right?!!

Okay then, you're a Revolver. Or, as my favorite vanity license plate declares: "INDEBT 2." For you, picking a credit card requires more caution than your "convenience" friends. This is because you will pay compound interest on your mistake(s). First, the annual membership fee. Since you are paying an arm and a leg in interest charges, you don't have to worry about it. Nearly every bank will gladly waive the annual membership fee if you paid over \$30 in finance charges last year. If you are currently paying an annual fee, **STOP**, do not pass Go, and immediately call the customer service department of your credit card company and threaten to close your account. As quickly as you can count 1, 2, 3, 4, 5 ... YAHTZEE!, a customer rep will pretend to confer with a supervisor and then report that the annual fee has been waived as a "courtesy" to you as a "valued customer." This fee will then be credited to your account on the next statement. See how easy it is to save money! And, doesn't it feel good to make the credit card companies give you back money for a change. As for the Grace Period, forget it. You don't have one if you are a Revolver. It only matters if you can pay off ALL of your charges at the end of the month.

Membership Enhancements are certainly worth your attention. Depending on your personal needs, there are several features to be considered. For instance, if you travel frequently, you want car rental insurance and travel related discounts (big savings). Shoppers of 'big ticket' items should select a card with an extended manufacturers' warranty as well as purchase protection/security features--especially if

you plan to buy electronic products such as stereos, televisions, and computers. Note, travel accident insurance (if your airplane crashes) and credit card registration programs (See Module 1) are not cost effective, so ignore them. This is because you are not responsible for any unauthorized purchases after notification of the loss of your credit card; your maximum financial liability is only \$50 per card.¹¹

Lastly, ask about special membership benefits. For example, some companies offer an itemized summary of your purchases at the end of the year. This is especially useful for planning your personal budget, preparing income taxes, or for explaining to your parents where your money goes.¹²

Last, but not least, is the finance charge. Whenever possible, choose a **fixed** rather than a variable interest rate credit card unless there is more than a 2.0% difference in the annual percentage rate (APR). For example, it is better to take a 11.9% (APR) fixed-rate card than a 9.9% (APR) variable-rate card. This is because the interest rates will increase in the future.¹³ There is no way that inflation will maintain its present 1.0% level in the long-term! And, be careful about low-rate, introductory "teaser" offers.

First, check if the special rate applies to new charges or if it is only for balance transfers from other credit cards. You may end up with a higher interest rate (APR) without ever receiving a low-rate for your charges!

Second, find out how long the special rate is in effect. Some offers are as short as 3 months while others are as long as 1 year.

Third, make sure that you understand how much the interest rate will increase after the introductory offer expires. Is it fixed or variable? How high can it go? Remember, banks make their money after the special rate is over. Be sure to find out how greedy they are!

Table 2 presents a list of some of the best deals available to college students. Note that the largest credit card companies like Citibank, Chase, First USA, MBNA, and Discover are absent. How many advertisements from these "Good Deal" companies have you seen on campus? For example, Capital One Bank aggressively markets its 9.9% fixed rate card on television but what does it really offer students? The answer is a 9.9% rate for the "introductory" six month period, and then a 17.99% variable rate thereafter. ALWAYS check carefully to be sure that your low-fixed rate "Good Deal" does NOT become a "Dastardly Deal" 6 months later!¹⁴ Note, the terms and conditions of credit card accounts are frequently changed by the corporate barons of the *Credit Card Nation*. Don't get mad at us if the credit card execs decide to charge you more money since we last checked. We're trying to HELP!

The BAD: Dastardly Deals for Debtors

Sometimes higher interest rates are justified by the wide range of membership benefits that are offered by particular credit card companies. In most cases, the current trend of rising interest rates and penalty fees are simply due to corporate greed.¹⁵ Think about this for a moment. How is it possible that the cost of credit cards is rising for consumers when there are thousands of competing banks and their cost of lending money to you is so low?¹⁶ Have you looked at the interest rate on your savings account lately?!! Sadly, especially with the ongoing trends of bank mergers and acquisitions, the credit card industry defies the logic of a highly competitive market. As shown in Table 3, price gouging is rampant with many large banks charging over 19% APR.¹⁷

Many students begin with moderate interest rates (9.9% to 15.8%) and often are unaware that they have been increased dramatically. This may result from expiration of low-rate introductory offers, variable rate adjustments, or **only two delinquent payments**. The latter is more common than you think. Credit card companies realize that students may send late payments simply due to normal school disruptions such as semester breaks, summer vacations, and mail forwarding delays. Although they occur frequently, the penalty is excessive. For instance, if you miss a Discover card payment and do not catch up by the next payment due date, **the interest rate increases from 17.4% to 22.49%!!!** Similarly, The Associates Visa jumps **from 17.99 to 25.99%!!!** The long-term consequences of double-digit interest rates are shocking. As the "debt buster" calculator illustrates, even a reduction of only 2.0% APR reduces the pay-off of your credit card debt by several years.¹⁸ So, proceed with CAUTION. If you do NOT carefully manage your personal finances, you may end up with a Dastardly Deal by the time you graduate. Always send in your payment early so you will not be penalized with a high finance charge or late fee!

Double Deal Delight: Combining Low Cost and High Benefits

By now, you probably realize that it is very difficult to find one card that offers you all of the membership benefits that you want with a low interest rate. As a result, the most practical way to manage your financial needs is with two credit cards: The Double Deal Delight. However, DO NOT TRY THIS STRATEGY IF YOU HAVE PROBLEMS CONTROLLING YOUR SPENDING!

First, find a low-interest rate credit card--such as a "Top Deal" from Table 2. These "Basic" or "Starter" credit cards tend to have fewer member benefits--the trade-off for receiving a low annual interest rate (APR); remember, they can be upgraded later. On this credit card account, you should "carry" or revolve your accumulated debt.

Then, get a second card that has most of the membership benefits that YOU want but usually comes with a higher annual interest rate (APR). On this account, you

should have as little debt as possible. Use this card only for its membership benefits such as extended purchase protection plans. After you charge items on the second card, pay them off as fast as you can or transfer the debt to your lower interest credit card through free or low fee "balance transfers." It is for this reason that we prepared the "The [Not too] Ugly" list of Table 4. That is, moderate interest rate credit cards that have many useful membership benefits.¹⁹ Together, the combination of low-interest credit and desired membership benefits offers you the ultimate in cost effective credit cards, the

***Double Deal Delight* = NO ANNUAL FEES +
Low Interest Rate (APR) +
Desired Membership Benefits +
Rebates**

Lastly, a word of caution if you are not able to follow these guidelines. Should you begin accumulating debt on both credit cards, this may indicate that you are having problems managing your personal finances. At that point, it would be best for you to stop charging and reduce the credit limit on your second card. Otherwise, you may not realize the seriousness of your financial problems until you can no longer afford the minimum payments on BOTH cards.²⁰ Please listen to this warning if you begin to slide down the slippery slope of financial distress. It may be useful for you to discuss your situation with a debt counselor.²¹

With this cautionary warning, you have now reached a fork in the road of our financial information program. It is our hope that you are now better prepared and more empowered to cope with your financial affairs in the *Credit Card Nation*. So, go forth and *Choose WISELY!* And, send post-cards. Or, at least an e-mail regarding our efforts to prepare you for this difficult and all too challenging journey.

¹ It's a financial jungle in the *Credit Card Nation*. Do you know that Visa and MasterCard are membership associations NOT real companies. That is, Visa and MasterCard are associations with thousands of different companies who all contribute membership dues to pay for super slick marketing campaigns, new processing technology (they don't use PCs to process your charges!), executive staff, lawyers, etc. You know, like the United Nations! Each member, within the general guidelines of the association, is free to establish their own account "terms" for credit card customers such as interest rate, car rental insurance, and cash advances. You get the picture. Hence, the Citibank Visa or the MBNA MasterCard. In comparison, American Express and Discover are not associations but corporate divisions; Discover was previously owned by Sears and is now a subsidiary of Morgan Stanley Dean Witter. To further complicate the credit card "jungle," there are also companies that offer credit cards that are not traditionally financial service companies such as AT&T (recently sold to Citicorp) and GE Capital Consumer Card. For an overview of these industry trends, see Joseph Nocera, A Piece of the Action, How the Middle Class Joined the Money Class, New York: Simon & Schuster (1994)..

² Convenience Users are "loss leaders" for the credit card companies. They hope that an unexpected emergency (car repairs), family expense (college tuition), personal crisis (divorce) will eventually lead to some "dead beats" becoming profitable "revolvers." Banks originally tried to charge Convenience Users an annual membership fee but this policy has been successfully resisted by many customers. In the meantime, the low inflation of the 1990s has reduced the cost of borrowing money for credit card companies which has led them to "carry" unprofitable accounts. When inflation rises, which will increase the cost of borrowing money and thus the losses on dead beat accounts, you can expect that more banks will impose a mandatory membership fee or simply not renew their unprofitable credit card accounts.

³ For a more detailed discussion of the social inequality of consumer credit, you may wish to consult Robert D. Manning, Credit Card Nation, New York, Basic Books (forthcoming, 2000).

⁴ Discover offers 1% "cash back" on ALL purchases--not merely your balance. Some banks also offer 1% cash back programs on purchases using their Visa or MasterCard such as Chevy Chase Bank Visa (acquired by First USA) or free gifts based on points "earned" by volume of charges such as the Chase MasterCard. Some banks have special "co-branded" agreements with other corporations where charges on their credit cards accumulate "points" for free gasoline (Chase-Shell Oil), down payment on a automobile (Citibank-Ford), or free airline tickets (American Express-Delta). Other credit cards may offer a donation (less than 1%) to your favorite nonprofit organization such as FIRST USA's college alumni program. For some cash back programs, there is a minimum amount that has to be charged within a specified period or you have to an unpaid balance. If these conditions are not satisfied, you may not qualify for a cash rebate or it is less than the maximum amount. For example, the Associates MasterCard offers "3% cash back" on purchases but only if you have an unpaid balance. The maximum rebate is \$20 per month AND a total of only \$100 per year. And, unlike Discover or Visa rebate programs, if you pay off your charges each month, FORGET about the cash. Associates only

pays a cash rebate when YOU pay a monthly finance charge! Talk about encouraging poor spending habits.

⁵ For our evaluation purposes, the following CHECK-list summarizes most of the available Membership "Enhancements." These ten categories describe the membership features that help you decide which credit card is best for you. When you call customer service, ask if the credit card offers the following:

- [1] rebates on purchases (cash back, gifts, or discounts);
- [2] extension of manufacturer's warranty on purchased items;
- [3] purchase protection/security of items paid by credit card;
- [4] travel accident insurance (airline travel charged to credit card);
- [5] discounts on travel related purchases such as hotel rooms, rental cars, and entertainment;
- [6] insurance on rental cars;
- [7] discounts on non-travel related goods and services
- [8] credit card registration programs;
- [9] reduced introductory interest rate offers;
- [10] other (non specified).

6

Table 1

***Dead Beat Delight:* Great Deals for Convenience Users**

Credit Card Company	Rebate*	Annual Fee**	Membership*** Enhancements	Toll Free Telephone
Advanta Visa	1% cash includes balance transfers	\$0	4	(800) 833-6980
Bancorpsouth Bank (Hancock) Visa	fabric coupons 3% store, 1% other purchases	\$0	---	(800) 844-2723
Centura Bank Visa	0.5% cash (under \$5000) 1% (over \$5000)	\$0	4, 5	(800) 236-8872

Chase Manhattan (Shell) Visa	free gas 5% gas, 1% other purchases	\$0	1, 3	(800) FREE-GAS
Chevy Chase Visa (First USA)	1% cash	\$12	4, 9	(800) 937-5000
Citibank Drivers' Ed Visa	2% automobile down payment (\$1500 maximum)	\$0	4	(800) 950-5114
Discover (Greenwood Trust [M.S.D.W.]	1% cash	\$0	4, 7	(800) 347-2683
First USA Giant VI SA	free groceries 3% Giant, 1% other purchases	\$0	---	(800) 211-7339
GE Capital Consumer MasterCard	2% cash on program purchases	\$20	2, 3, 4, 5, 6, 7	(800) 677-1050
People's Bank TJX Maxx Visa	Maxx coupons 3% store, 1% other purchases	\$0	4	(888) 426-1115

*Rebate programs with retailers are designed to reward customer loyalty with financial incentives (discounts). Hence, these "frequent shopper" programs offer higher rebates on their own retail products. For example, Shell offers a 5% rebate on purchases of Shell gasoline and only 1% on all other purchases. Note, the \$20 membership fee is waived "as long as at least nine Shell station purchases were made in the prior year with your Shell MasterCard."

**It is usually fairly easy to negotiate a waiver of the annual membership fee for the first year. However, if you do not pay at least \$30 in finance charges during the year, the bank will most likely impose a membership fee when the account is renewed.

***These membership enhancements are based on BASIC or STANDARD introductory credit card programs. Hence, they do not offer many benefits to young customers whom are unfamiliar with these services or may not use them. It is possible to upgrade these accounts, especially after one year of making regular payments, to GOLD or PLATINUM status. However, you may have to pay a membership fee if you did not pay finance charges during the preceding year.

⁷If you are not satisfied with this list, you may wish to explore the web sites of the major credit card associations and search for new offers by their members. These include www.mastercard.com, www.discovercard.com, www.americanexpress.com/student, www.visa.com. Similarly, you may wish to search the web sites of specific banks to examine their rebate programs. See also "Card Issuers Hike Fees and Rates to Bolster Profits", Consumer Action (CA) and Consumer Federation of America (CFA), 5 November 1998 @

www.consumerfed.org. Lastly, CARDWEB.COM, INC. compiles a list of over 85 programs in its "Reward Credit Card Report." They examine incentive programs such as air miles, points towards product/services, or cash-back. You can order it for **\$12 [No, we do NOT get a rebate!]** by writing to them at P.O. Box 1700, Frederick, MD 21702.

⁸ Some companies are more greedy than others and most do NOT expect you to read the microscopic "fine" print. For example, The Associates Visa card declares that "You get 3% cash back" BUT only if you have an existing debt on your credit card AND when "the total of [your] payments... to your account is LESS than the Previous Balance on your current statement." Hence, you only get "cash back" when you are paying finance charges! And, the maximum rebate is \$20 per month and only \$100 for the year--an average of about \$8 per month. Compare this modest rebate to the finance charges that you will pay over the year and you will find that the "cash back" award is merely a small reduction in the total interest charges that can jump to 25.99% APR! Can you spell R.I.P.O.F.F.?

⁹ For example, if you have an average of \$250 per month in charges or \$3,000 per year, it could take you five years to qualify for a free airline ticket--depending upon how often you fly and the number of required points. In this case, if your annual membership fee is \$50, the "free" ticket cost you approximately \$400. That is, 5 years of membership fees \$50 (\$250) plus the \$150 that could have been earned in a 1% cash back program. Could you have found a cheaper flight for \$400? If you charge an average of \$1,000 per month, you would qualify for a free ticket in two years. In this case, the "free" ticket would cost \$340. That is, 2 years of membership fees (\$100) plus the \$240 that could have been earned in a 1% cash back program. Remember, by participating in "free gift" rebate programs, you are locked-in a credit card agreement until you redeem your accumulated points. **ADVICE, take the ca\$h.**

¹⁰ Although AMEX is gradually reducing its transaction fee, it is still much harder to use than Visa or MasterCard. For an entertaining look at the "privileges" of AMEX membership, see "Leave Home Without It: The Absurdity of the American Express Card," in Michael Lewis, The Money Culture," New York, Penguin Books (1992).

¹¹ You should check out the module on the theft or loss of your credit card(s). "Disappearing Plastic: What Should I Do?" is a freebie. Afterall, what have you got to lose!

¹² Sometimes credit card companies will not offer you special programs unless you specifically ask the customer representative OR WORSE they will cancel them if you do not request them to be renewed! A typical example is when Chase Manhattan decided not to send out its end-of-year statement of itemized purchases to thousands of card holders in 1997. Company representatives explained that only those customers that did not request them were deleted from the costly mailing. Yet, thousands complained that they requested the statement for use in preparing their income tax returns and still did not receive it!

¹³ A "fixed" rate means that the annual percentage interest rate (APR) will not rise if the cost of borrowing money increases to the bank. In this way, your payments will not increase because of an increase in inflation or other bank policies. However, a "variable" rate means that your APR is calculated in relation to changes among the following indices: (1) prime interest rate, (2) interest rates of U.S. Treasury bonds [one, three, six, 12 months], (3) federal funds rate, (4) cost of funds, (5) Federal Reserve discount rate, and (6) other international rates. Although

technically, a variable interest rate can decline, don't bet the house! With inflation at about 1%, there is little chance of a decline in the future.

14

Table 2
The GOOD: Excellent Deals for Debtors

Credit Card Company	Annual Interest Rate*	Annual Fee**	Membership Enhancements	Toll Free Telephone
Aria Visa	7.9% (fixed)	\$0	4	www.aria.com
American State Bank Visa	11.9% (fixed)	\$0	Not Reported	(800) 725-2006
Home Federal Savings & Loan Visa	10.68% (variable)	\$0	2, 3, 4, 5, 6, 8, 10	(704)*** 373-0400
Simmons First National Bank Visa	9.5% (fixed)	\$35	4,8	(800) 636-5151
USAA College Start Visa	11.65 (variable)	\$0	1	(800) 945-3608

The BEST of the REST: Good Deals for Debtors

Credit Card Company	Annual Interest Rate*	Annual Fee**	Membership Enhancements	Toll Free Telephone
BankAmericard Visa	13.74% (variable)	\$0	5, 7, 10	(800) 200-7119
Central Carolina Bank MasterCard	11.25 (fixed)	\$20	5, 10	(800) 334-1073
Commerce Advantage Visa	14.1% (variable) 6 months (fixed 6.9%)	\$0	4, 9	www.commercebankcards.com
Federal Savings	9.35% (variable)	\$33	Not Reported	(800)

Bank Visa				285-9090
First American	12.5% (variable)	\$0	Not Reported	(800)
National Bank Visa				272-7331
First National	12.4% (variable)	\$18	4	(800)
Bank of Atlanta Visa				842-3262
Huntington	8.75% (variable)	\$39	Not Reported	(800)
National Bank Visa				237-7400
Metropolitan	9.48% (variable)	\$25	4, 6	(501)***
National Bank Visa				570-1023
USAA Federal	12.5% (variable)	\$0	Not Reported	(800)
Saving Bank MasterCard				922-9092
Waterhouse National	12.5% (variable)	\$0	10	(888)
Bank Visa				771-6201

*In general, a "fixed" rate card is preferred unless the annual percentage interest rate (APR) of a "variable" rate card is at least 2.0% less.

**It is usually fairly easy to negotiate a waiver of the annual membership fee for the first year. However, if you do not pay at least \$30 in finance charges during the year, the bank will most likely require a membership fee when the account is renewed.

¹⁵ How greedy can the corporate barons of the Credit Card Nation get you ask? Well, after reaching their limit on the profits from finance charges, That is, the "spread" or the difference between what banks pay for money (saving deposits, CDs, Federal Reserve) and what they loan it to us through credit cards is at a historical high!

They are reducing their costs by reducing membership "enhancements," replacing human employees with computer-aided technologies, and raising the penalties for over-limit and late fees. This is accomplished in two ways: [1] increasing the penalty fees (from an average of \$12.57 in 1994 to \$24.02 in 1998 per account "infracton") and [2] reducing the grace period for arrival of monthly payments (from as high as 14 days to as little as zero!). The result is an astounding increase in the corporate treasuries of the credit card companies. **Between 1994 and 1998, interest income on credit card debts rose from \$34.8 billion to \$58.1 billion or 67.0% whereas penalty fee income rose from \$7.3 billion to \$18.9 billion or 159.0%.** See "Fee Revenues (7/9/99)" CARDTRAK ONLINE, CardData (www.carddata.com).

Table 3
The BAD: Dastardly Deals for Debtors

Credit Card Company	Annual Interest Rate*	Annual Fee**	Membership Enhancements	Toll Free Telephone
Associates National Bank Delaware MasterCard	19.8% (variable)	\$0	7, 9	(800) 636-7070
Capital One MasterCard	19.8% (fixed)	\$0	1, 3, 4, 6, 9	(800) 955-7070
Chevy Chase Visa (First USA)	26.7% (fixed)	\$12	1, 3, 4, 6, 9	(800) 937-5000
1st Financial Bank South Dakota Visa	19.5% (variable)	\$20	Not Reported	(800) 733-1732
First National Bank Omaha Visa	20.9% (variable)	\$0	Not Reported	(800) 688-7070
First National Bank South Dakota Visa	19.9% (variable)	\$0	10	(402) ^{***} 636-6055
Household Bank Savings Bank MasterCard	19.99% (variable)	\$0	10	(800) 477-6000
US Bank NA Visa	19.4% (variable)	\$12	Not Reported	(612) ^{***} 973-2077
United National Bank Visa, MasterCard	19.8% (fixed)	\$40	4, 10	(732) ^{***} 448-4075
Wells Fargo Bank	19.3% (variable)	\$18	10	(800)

* In general, a "fixed" rate card is preferred unless the annual percentage interest rate (APR) of a "variable" rate card is at least 2.0% less. Many of the credit card companies are systematically raising the interest on accounts with high balances to 22.8% (APR) and as high as 26.% (APR).

**It is usually fairly easy to negotiate a waiver of the annual membership fee for the first year. However, if you do not pay at least \$30 in finance charges during the year, the bank will most likely require a membership fee when the account is renewed. Also, these banks tend to have the highest penalty fees for late payments and over-limit charges--as much as \$29!

¹⁸ Examples from the Debt Zapper Calculator:

**CREDIT CARD PAYOFF SCHEDULE:
By Interest Rate and Minimum Monthly Payment*
(Number of Months to Pay Off \$1500 debt)**

Monthly Payment	Annual Interest Rate				
	10.8%	13.8%	16.8%	19.8%	22.8%
\$25	87 months	102 months	132 months	282 months	INFINITE
\$30	67 months	75 months	87 months	106.5 months	159 months
\$50	35 months	37 months	39 months	42 months	45 months

*Assumes no late fees or new purchases.

¹⁹

Table 4

The [Not too] UGLY: Decent Deals for Debtors

Credit Card Company	Annual Interest Rate*	Annual Fee**	Membership Enhancements	Toll Free Telephone
AFBA Industrial Bank Visa	12.65% (variable)	\$0	2, 4, 5, 6, 9, 10	(800) 277-0444
Amalgamated Bank Chicago MasterCard	12.25% (variable)	\$0	2, 3, 4, 5, 6, 10	(800) 365-6464
Associated Card	16.65% (variable)	\$0	4, 5, 6, 9, 10	(800)

Service Bank Visa				472-7708
Jefferson Bank	15.65	\$25	1, 2, 3, 4, 5, 6, 8	(800)
Visa				768-9668
First Commonwealth Bank	11.99% (variable)	\$0	2, 3, 4, 6	(800)
MasterCard				711-2265
First National Trust Bank	15.75% (variable)	\$35	2, 3, 4, 6	(800)
Visa				326-9387
Provident National Bank	15.9% (variable)	\$0	2, 3, 4, 6	(800)
Visa			8, 10	227-6886
Republic National Bank	15.65	\$0	3, 6, 9	(800)
NY Visa				745-2265
Savings and Trust Bank	11.25 (variable)	\$15	4, 10	(800)
Visa				325-2265
United Security Bank	12.96% (fixed)	\$0	2, 3, 4, 10	(509) ^{***}
Visa				467-9084

*In general, a "fixed" rate card is preferred unless the annual percentage interest rate (APR) of a "variable" rate card is at least 2.0% less.

**It is usually fairly easy to negotiate a waiver of the annual membership fee for the first year. However, if you do not pay at least \$30 in finance charges during the year, the bank will most likely require a membership fee when the account is renewed.

***This telephone number requires a long-distance charge. No toll free number is presently available.

²⁰ This mistake will not only be compounded at over 20% (APR) but could also seriously damage your personal credit history. Other social consequences of escalating credit card debt include heightened anxiety, declining grades (due to more time spent on paid employment), loss of financial aid/ scholarships, academic dismissal, bankruptcy, and even rejection for jobs by potential employers

²¹ To schedule a free session with Debt Counselors of America (DCA), call **(800) 680.3328** or visit their web site **www.dca.org**. We also recommend The National Foundation for Consumer Credit (NFCC). They can be contacted at **(800) 388.2227** and their internet address is **www.nfcc.org**. Good Luck!